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October 12, 1993

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

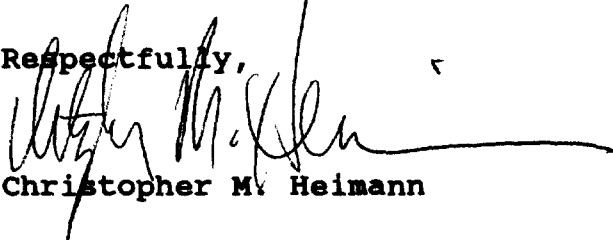
Re: MM Docket No. 92-266, Implementation of Sections  
of the Cable Television Consumer Protection and  
Competition Act of 1992 -- Rate Regulation

Dear Mr. Caton:

This letter is submitted on behalf of ValueVision International, Inc. ("ValueVision") pursuant to Section 1.1206(a) of the Commission's rules. Robert L. Johander and Michael Jones, of ValueVision, and William R. Richardson, Jr. and Christopher M. Heimann, attorneys for ValueVision, today met with Alexandra M. Wilson and Bruce A. Romano to discuss the petition for reconsideration filed by ValueVision in the above referenced proceeding, and recent actions taken by various cable systems in response to ValueVision's requests for leased access. ValueVision also discussed the matters contained in the attached New York Times article.

If there are any questions with respect to this matter, please communicate directly with the undersigned.

Respectfully,

  
Christopher M. Heimann

Attachment

cc: Alexandra M. Wilson  
Bruce A. Romano

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THE NEW YORK TIMES, MONDAY, SEPTEMBER 20, 1993

FEDERAL COMMUNICATIONS COMMISSION  
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## THE MEDIA BUSINESS

## Television | Elizabeth Kolbert

Pick-and-choose cable pricing lets viewers say yes to VH-1, or no to MTV. But channels don't like it.

**T**HINK of it as the nouvelle cuisine approach to cable TV.

Over the last few weeks, millions of cable-television subscribers have received mailings offering cable channels on what is being called an "à la carte" basis. Instead of buying a package of channels including everything from AMC to VH-1, these subscribers can now put together their own menu of channels, paying, say, 10 cents a month to get the Home Shopping Network, or \$1 a month for ESPN. The viewers can reject any channels they don't want, and the monthly bills will presumably be lower — for now.

Cable operators call the approach a way to give consumers more freedom of choice. Cable-channel owners, however, call it a basic violation of contract. And Federal regulators question whether, in some instances, "à la carte-ing" is simply a ploy to avoid new cable price restrictions.

"You start to get into an area where things could just be evasions of the statute," said Bill Johnson, deputy chief of the mass media bureau at the Federal Communications Commission.

Like so many other changes now sweeping the cable industry, the move toward à la carte pricing is a result of the cable act approved by Congress last year. Under the law, cable operators must offer subscribers a package of broadcast, educational and public-interest channels for a relatively modest monthly fee. Additional services that are offered as a separate package are subject to a lower level of regulation. And services that are offered on an individual, pay-per-channel basis are subject to no price regulation at all.

The concern for consumers is that à la carte channels, free from regulation, may be attractively priced today, but not so attractively priced a year from now. And some who have studied the cable act say Federal regulators will be powerless to do anything about a big price increase for an à la carte channel.

So far, Adelphia Communications,



Randy Jones

the nation's 10th-largest cable company, has been the most aggressive in offering à la carte pricing, although others have offered variations. During the last few weeks, Adelphia has notified its 1.2 million subscribers that cable channels like TNT and Lifetime Television, which used to be offered as part of a basic cable package, can now be purchased on an individual basis, in much the same way premium channels like HBO and Showtime have always been sold.

The prices, according to Tim Rigas, the company's senior vice president, range from about 10 cents a month for religious and shopping channels to \$1.05 a month for MTV and the Discovery Channel.

Subscribers who order all channels that used to be in the basic package will pay about \$23 a month, roughly the same as they used to pay. But the total will be 15 percent less than the combined à la carte prices for the channels, Mr. Rigas said. Adelphia argues that the advantage for its subscribers, who are concentrated in western New York and western Pennsylvania, is that they no longer have to pay for channels they don't want.

"What Adelphia has done for over one million subscribers is to give the consumer more choice," Mr. Rigas said. "Let's say someone objects to

having MTV; they can say 'I don't even want it in my house.'"

Most channels are, to say the least, not enthusiastic about the à la carte system. Channels like the Arts and Entertainment Network, USA Network and Nickelodeon are all advertiser supported, and the deals they have made with advertisers are based on delivering large numbers of viewers. The new system, they fear, will inevitably lead to fewer viewers and lower advertising revenues.

"Turner Broadcasting does not like the idea of its services being 'à la carted' at all," Paul Beckham, president of Turner Cable Network Sales, said. "Our business plan is dependent on a large amount of carriage." Turner-owned channels include CNN, TBS and TNT.

Many channels take the view that offering their services on an individual basis is a contractual violation. Arts and Entertainment, for example, has warned of pursuing "legal options" against cable operators that offer the channel that way, according to a spokesman for the company, Greg Jones.

Mark Rosenthal, executive vice president of MTV Networks, said his company also believed the method to be a violation of its contracts with cable operators. "We take it extremely seriously," he said.

Mr. Rigas admitted that "there are a handful of programmers that are adamant that this will destroy their business." He said Adelphia was negotiating with these programmers.

At this point, many cable systems do not have the technical ability to offer every channel on an individual basis. But as systems upgrade their equipment, more are expected to offer the option.

To Federal regulators, the question is whether operators are really offering the individual channels to expand consumer choice, or just using them as a way to avoid price restrictions and eventually make a killing. Mr. Johnson of the F.C.C. acknowledged, though, that the subject of à la carte pricing, from a regulatory standpoint, is rather murky.

Lawmakers exempted pay-per-channel services from regulation, he said, with premium channels like HBO in mind. Now the principle is being applied to channels like CNN — with uncertain results for consumers.